

TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended March 31, 2008

TOWNSHIP OF BEAVERTON
BOARD OF TRUSTEES

Jeff Roehrs	Supervisor
Madalyn Hubble	Clerk
Luann Domako	Treasurer
Jon Sherwood	Trustee
Terry Grove	Trustee

TOWNSHIP POPULATION-2000
1,815

STATE EQUALIZED VALUE-2007
\$55,675,700

STATE TAXABLE VALUE-2007
\$42,134,376

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2008**

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Independent Auditors' Report

Members of the Township
Board of Trustees
Township of Beaverton
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Beaverton, Gladwin County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Beaverton, Gladwin County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
August 11, 2008

Exhibit 1

**TOWNSHIP OF BEAVERTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008**

ASSETS

Cash and cash equivalents	\$ 686,240
Taxes receivable, net	29,463
Due from other township funds	6,189
Capital assets:	
Land	12,257
Buildings and improvements, net	36,700
Furniture and Equipment, net	2,087
Total assets	<u>772,936</u>

LIABILITIES

Accrued expenses	564
Deferred revenue	72,630
Total liabilities	<u>73,194</u>

NET ASSETS

Invested in capital assets, net of related debt	51,044
Unrestricted	648,698
Total net assets	<u>\$ 699,742</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 17,655	\$ -	\$ -	\$ -	\$ (17,655)
Supervisor	7,405	-	-	-	(7,405)
Treasurer	14,480	-	-	-	(14,480)
Assessing	15,918	-	-	-	(15,918)
Clerk	11,701	-	-	-	(11,701)
Elections	1,264	-	-	-	(1,264)
Board of review	730	-	-	-	(730)
Buildings and grounds	9,577	-	-	-	(9,577)
All other general government	718	-	-	-	(718)
Fire protection	49,083	-	-	-	(49,083)
Roads and drains	64,498	-	-	-	(64,498)
Street lights	596	-	-	-	(596)
Sanitation, solid waste	70,515	52,390	-	-	(18,125)
Total governmental activities	\$ 264,140	\$ 52,390	\$ -	\$ -	(211,750)
General revenues:					
Property taxes, levied for general purposes					125,740
State revenue sharing					133,331
Interest earnings					15,137
Rents and royalties					1,260
Miscellaneous					5,788
Total general revenues					281,256
Change in net assets					69,506
Net assets-beginning					630,236
Net assets-ending					\$ 699,742

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2008

	General Fund	Sanitation Fund	Total
ASSETS			
Cash and cash equivalents	\$ 631,022	\$ 55,218	\$ 686,240
Taxes receivable, net	15,690	13,773	29,463
Due from other township funds	6,189	-	6,189
Total assets	<u>\$ 652,901</u>	<u>\$ 68,991</u>	<u>\$ 721,892</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued expenses	\$ 564	\$ -	\$ 564
Deferred revenue	-	72,630	72,630
Total liabilities	<u>564</u>	<u>72,630</u>	<u>73,194</u>
Fund balances:			
Unreserved	652,337	(3,639)	648,698
Total fund balances	<u>652,337</u>	<u>(3,639)</u>	<u>648,698</u>
Total liabilities and fund balances	<u>\$ 652,901</u>	<u>\$ 68,991</u>	<u>\$ 721,892</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total fund balances for governmental funds (Exhibit 3)	\$	648,698
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	12,257	
Buildings and improvements, net of \$35,766 accumulated depreciation		36,700	
Furniture and Equipment, net of \$20,501 accumulated depreciation		2,087	
Total capital assets			51,044

Total net assets of governmental activities (Exhibit 1)	\$	699,742
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended March 31, 2008

	General Fund	Sanitation Fund	Total
REVENUES			
Property taxes	\$ 125,740	\$ -	\$ 125,740
State aid	133,331	-	133,331
Charges for services	1,335	-	1,335
Interest and dividends	14,518	619	15,137
Rents and royalties	1,260	-	1,260
Special assessments	-	52,390	52,390
Miscellaneous	4,454	-	4,454
Total revenues	280,638	53,009	333,647
EXPENDITURES			
General government	75,494	-	75,494
Public safety	49,083	-	49,083
Public works	65,094	70,515	135,609
Capital outlay	1,400	-	1,400
Total expenditures	191,071	70,515	261,586
Net change in fund balances	89,567	(17,506)	72,061
Fund balances-beginning	562,770	13,868	576,638
Fund balances-ending	\$ 652,337	\$ (3,638)	\$ 648,699

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF BEAVERTON
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 72,061
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,400) was exceeded by depreciation (\$3,954) in the current period.

(2,555)

Change in net assets of governmental activities (Exhibit 2)	\$ 69,506
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69,506

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
March 31, 2008

ASSETS

Cash and cash equivalents	\$ 8,128
Total assets	<u>8,128</u>

LIABILITIES

Due to other funds	6,189
Due to other governmental units	<u>1,939</u>
Total liabilities	<u>8,128</u>

NET ASSETS

<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units.

Jointly Governed Organization-The Township of Beaverton, Tobacco Township and the City of Beaverton formed the Beaverton Area Fire Protection District to provide fire protection to the entire area of the three governmental entities. The District is financed each year on a proportional basis for each participating governmental unit based upon their respective state equalized valuation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Gladwin County, which advances the Township 100% for the delinquent taxes.

The 2007 taxable valuation of the Township totaled \$42.1 million, on which ad valorem taxes were levied. This amount is recognized in the General Fund as current tax revenue totaling \$125,740.

The Township reports the following major fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

In addition, the Township reports additional funds as follows:

The Garbage Collection Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

The Current Tax Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as Due to/from other funds. "Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as Advances to/from other funds."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets-Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	25 to 40 years
Building improvements	20 to 40 years
Furniture and equipment	5 to 10 years

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-Term Obligations-In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 686,240	\$ 8,128	\$ 694,368

Investment and Deposit Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$694,368 of bank deposits (checking, savings, and certificate of deposit accounts), of which \$494,368 was potentially uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township's current investments have no potential interest rate risk.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	Increases	Decrease s	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 12,257	\$ -	\$ -	\$ 12,257
Capital Assets Being Depreciated				
Buildings and improvements	72,466	-	-	72,466
Furniture and equipment	21,188	1,400	-	22,588
Subtotal	93,654	1,400	-	95,054
Less Accumulated Depreciation for				
Buildings and improvements	32,749	3,017	-	35,766
Furniture and equipment	19,564	937	-	20,501
Subtotal	52,313	3,954	-	56,267
Net Capital Assets Being Depreciated	52,313	3,954	-	56,267
Governmental Activities Capital Assets-Net of Depreciation	\$ 53,598	\$ (2,554)	\$ -	\$ 51,044

Depreciation expense was charged to programs of the Township as follows:

Buildings and grounds	<u>\$ 3,954</u>
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**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The amount of inter-fund receivables and payables are as follows:

<u>Fund</u>	Inter-fund Receivable	<u>Fund</u>	Inter-fund Payable
General	<u>\$ 6,189</u>	Tax Collection	<u>\$ 6,189</u>

NOTE 6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 7. FUND DEFICTS

At March 31, 2008 the Township had a fund in an accumulated deficit position. The Township Sanitation Fund has an accumulated fund deficit of \$3,639. Public Act 275 of 1980 (MCL 141.921) requires that the Township file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Township has not filed the required plans as required by State statute.

TOWNSHIP OF BEAVERTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 125,740	\$ 125,740	\$ 125,740	\$ -
State aid	132,830	132,830	133,331	501
Charges for services	1,365	1,365	1,335	(30)
Interest and dividends	15,000	15,000	14,518	(482)
Rents and royalties	1,300	1,300	1,260	(40)
Miscellaneous	6,305	6,305	4,454	(1,851)
Total revenues	282,540	282,540	280,638	(1,902)
EXPENDITURES				
General Government:				
Township board	18,500	18,500	17,655	845
Supervisor	10,000	10,000	7,405	2,595
Treasurer	16,500	16,500	14,480	2,020
Assessing	19,500	19,500	15,918	3,582
Clerk	13,000	13,000	11,701	1,299
Elections	1,500	1,500	1,264	236
Board of review	1,000	1,000	730	270
Buildings and grounds	9,178	9,178	5,623	3,555
All other general government	750	750	718	32
Public Safety:				
Fire protection	51,177	51,177	49,083	2,094
Public Works:				
Roads and drains	89,498	89,498	64,498	25,000
Street lights	800	800	596	204
Capital Outlay:				
General government	2,500	2,500	1,400	1,100
Total expenditures	233,903	233,903	191,071	42,832
Excess (deficiency) of revenues over expenditures	48,637	48,637	89,567	40,930
Net change in fund balances	48,637	48,637	89,567	40,930
Fund balances-beginning	562,770	562,770	562,770	-
Fund balances-ending	\$ 611,407	\$ 611,407	\$ 652,337	\$ 40,930

August 11, 2008

Members of the Township
Board of Trustees
Township of Beaverton
Gladwin County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Beaverton Township (the "Township") for the year ended March 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

SIGNIFICANT DEFICIENCIES

Financial Accounting and Reporting

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for

Financial Accounting and Reporting (Continued)

approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to establish internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

MANAGEMENT COMMENTS

Financial Oversight (Repeat Comment)

The general limitations in any smaller organization like the Beaverton Township require that the Township Board of Trustees continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the independent review of critical functions. Based on inquiries, the Township Board of Trustees perform these duties and our comment here is intended to emphasize the importance of its oversight.

This report is intended for the information of the members of the Beaverton Township Board, management and the State of Michigan.

This communication is intended solely for the information and use of management, Beaverton Township Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Burnside & Lang P.C.

BURNSIDE & LANG, P.C.